



BUDGET BRIEFS

STATEWIDE VACANCIES **THE PROBLEM IS GROWING**

IN THIS BRIEF:

- ✍ THE SHELL GAME REVEALED**
- ✍ THE GROWING VACANCY PROBLEM**
- ✍ CIRCUMVENTING STATE LAW**
- ✍ IMMEDIATE SAVINGS OF \$380 MILLION**
- ✍ CAPTURING FUTURE SAVINGS**

THE SHELL GAME REVEALED

In March 2000, Senator Brulte released a detailed analysis that highlighted a growing number of vacant positions throughout state government and documented a “budget shell game” through which numerous state departments were circumventing standard budget policy. **This analysis noted that as of 1998-99, numerous state departments had approximately 12,000 vacant positions beyond the 9,800 traditionally associated with the budgeted 5-percent “salary savings.”** Furthermore, the analysis questioned why nearly \$250 million that had been budgeted for the salary & benefits associated with these 12,000 “excess” vacant positions was spent elsewhere (the “shell game”).

In April 2000, the Department of Finance (DOF) released an extensive report confirming the Republican analysis. To address these concerns, the 2000 Budget Act eliminated approximately 3,600 positions, or 30 percent of the total excess vacancies. In addition, a Budget trailer bill added statutory language making it more difficult for departments to hold “excess” positions vacant. (See Circumventing State Law below).

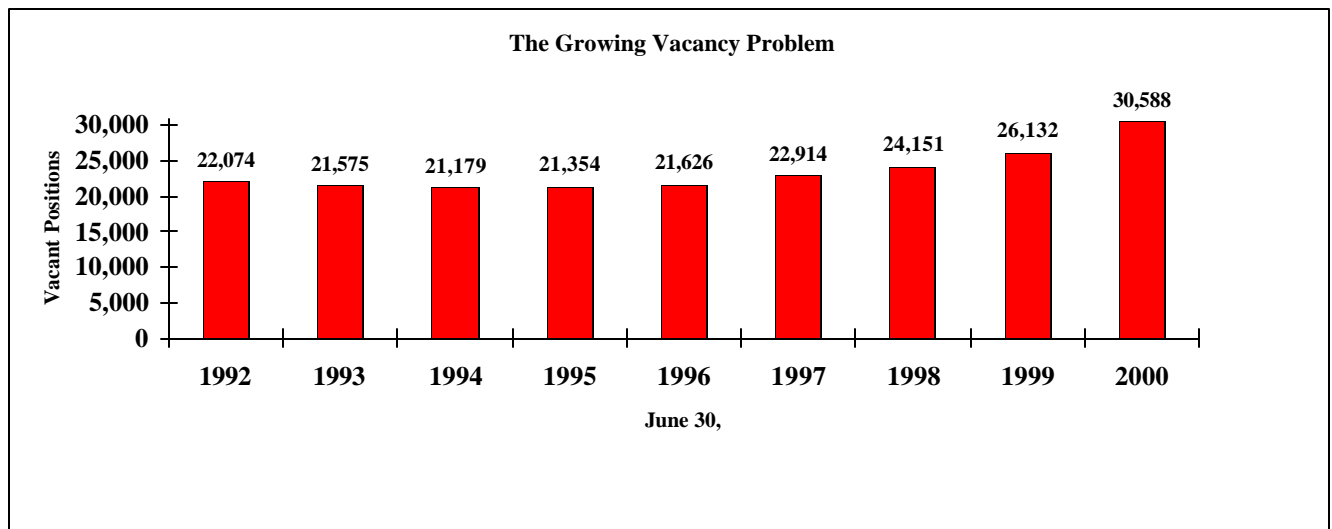
This fall, DOF continued its review of vacancies when developing the 2001-02 Governor’s Budget. In a letter to the Joint Legislative Budget Committee dated January 10, 2001, the Director of Finance advised that the Administration was “proposing to eliminate [an additional] 3,100 positions.” This figure included 600 vacant positions previously scheduled to expire in the current fiscal year (“limited term

positions”); 1,650 vacant positions proposed for redirection to other needs; and 850 vacant positions proposed for elimination. The redirections were in lieu of adding new positions to various departments. Thus, the Administration proposes taking action on approximately 6,700 “excess” vacant positions.

The Department of Finance proposes to retain the remaining 5,600 vacant positions identified last year. According to Finance, these positions are needed by the departments but are difficult to fill due to labor shortages and private sector competition for a limited labor pool. Examples include positions in health professions, information technology, science and technical specialists, and auditors and investigators.

THE GROWING VACANCY PROBLEM

The chart below shows that the numbers of state vacancies has actually increased substantially over the past few years. Controller’s Office payroll data show that the number of vacant state positions increased from 24,151 on June 30, 1998 to 30,588 on June 30, 2000— an increase of 6,437 positions, or 27 percent.



One reason for the continuing escalation of vacancies is simply the rapid increase in the size of state government. The Summary Schedule 6 (Appendix 25 in the 2001-02 Governor’s Budget Summary) reveals that the budgeted size of the state workforce has increased by 34,509 positions since 1998.

In its vacancy report, the DOF used data from the Budget to estimate the number of excess vacancies. However, this data will not be available for the 2000-01 fiscal year until next year’s Budget is prepared. Therefore, in order to develop a more up-to-date and accurate estimate, we examined the Controller’s payroll data for the month ending December 31, 2000. This data indicates that there are 203,015 civil service and exempt positions in state government (exclusive of UC, CSU, and legislative staff), of which 29,902 were vacant – a vacancy rate of 15 percent.

However, this data does not include about 15,000 positions that have been authorized in the Budget but that have never been “established” in the Controller’s payroll data base. Thus, we estimate that on December 31, 2000 there were 44,902 vacant positions. The DOF estimates that there are about 6,700 “blanket” positions (i.e. temporary help, data entry errors) not reflected in the Controller’s data.

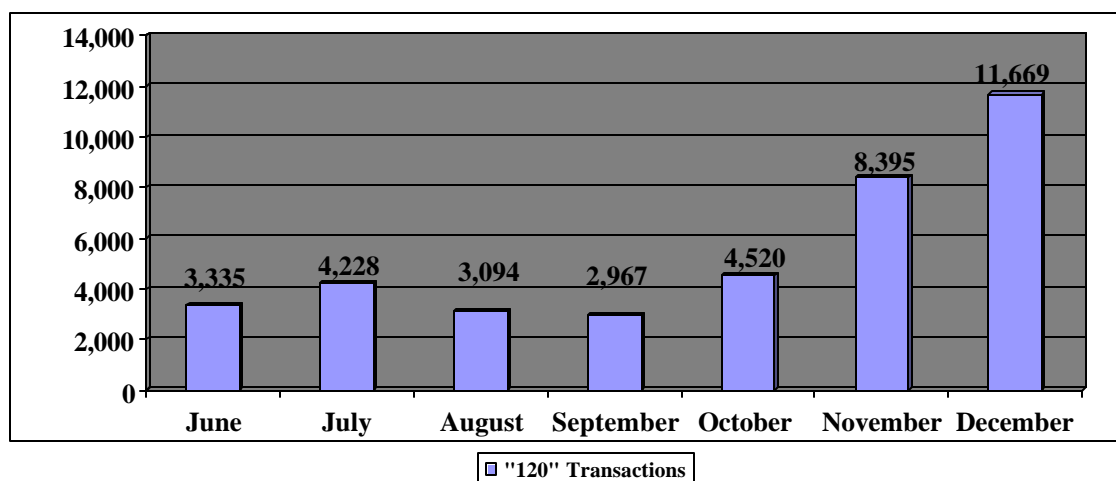
Finally, the Budget includes a salary saving adjustment which dictates that about 10,000 positions *should be vacant* at any given time due to normal turnover and hiring lags. ***Thus, we estimate that the number of excess vacancies has jumped from the 12,000 level estimated by DOF for 1998-99 to 28,202 (44,902 less 6,700 less 10,000) in the current year.***

It is important to note that: (1) this is a point-in-time figure and the annual average for the current year may vary slightly from this level, and (2) some of these positions are probably being held vacant due to unavailability of federal funds or reimbursements. Nevertheless, our analysis of the Controller's payroll data clearly shows that, despite the best efforts of the Legislature and the Department of Finance, the amount at stake in this budget shell game has grown substantially.

CIRCUMVENTING STATE LAW

Another reason that the vacancy problem continues to grow out of control is that state departments have intentionally acted to subvert the will of the Governor and the Legislature.

Last year, Governor Davis signed Budget trailer bill legislation (AB 2866/Migden) which was designed to control the growth of vacant positions (G.C. 12439). Prior to this change, the Controller was required to abolish any position that remained continuously vacant for the nine-month period of October 1 to June 30. AB 2866 requires the Controller, effective July 1 of every fiscal year, to abolish any position that has remained continuously vacant for a *six-month* period in the previous fiscal year. However, as the chart below indicates, departments consciously circumvented the new law.



To do this, departments have used a little known mechanism, "120-transactions," to shift personnel between established positions. In other words, employees in the same department are rotated in-and-out of positions before the six-month period expires, thus ensuring that the position will not be eliminated. As the chart shows, there were over 20,000 "120-transactions" during the months of November and December alone. The Controller's Office advises that the level of activity in these months is comparable to activity levels under the old law in April and May. In other words, departments have accelerated their use of this subterfuge to get around the new law.

In addition, the Controller has identified over 3,500 positions that were continually vacant from July 1 through December 31. Under AB 2866 these positions will be abolished on July 1, 2001. However, the Controller's Office advises that even these positions could be retained if departments process retroactive "120-transactions" prior to the end of the fiscal year as there is nothing in current law that prevents this practice.

IMMEDIATE SAVINGS OF \$380 MILLION

Although the 5,600 excess vacant positions proposed for retention by the Administration were established over three years ago, the 2001-02 Governor's Budget reflects very little cost savings associated with them. Given the growing numbers of vacancies, there is no question that these positions will generate actual dollar savings in the current year. We project that the savings associated with these 5,600 positions remaining vacant during the current year will be \$420 million (or \$75,000 per position). Since, the 2001-02 Governor's Budget reflects only about \$40 million in current-year savings associated with all of the operations of state government, we recommend that the Legislature capture \$380 million associated with excess vacancies in the current year.

Specifically, the Legislature should (1) re-appropriate these savings from the current year into the budget year and (2) reduce the corresponding budget-year appropriation by a like amount. By transferring this money into the coming year, the Legislature will ensure that the bureaucracy does not spend the funds associated with these vacancies without its approval.

CAPTURING FUTURE SAVINGS

"Government is like a baby – an alimentary canal with a big appetite at one end and no sense of responsibility at the other." Ronald Reagan.

From the analysis above, it is apparent that departments are reluctant to relinquish the flexibility that they derive from the "budget shell game." While capturing \$380 million of salary savings in the current year will prevent those funds from being redirected and spent without Legislative oversight this year, it does not address the problem in the future. We therefore recommend that the Legislature abolish 5,622 positions from the 2001-02 Governor's Budget and reduce departmental appropriations accordingly for an on-going savings of \$420 million.

In addition, we recommend that the budget subcommittees require departments to report on their vacancies, including positions authorized but never established in the Controller's payroll system during budget hearings this year. Departments should justify any request to retain positions/funding for any vacancies above their budgeted salary savings.

Finally, we believe the intentional misuse of the 120-transaction process to prevent vacant positions from being abolished should be outlawed.

For further information, please contact the Senate Republican Fiscal Office, at (916) 323-9221.
